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FOREIGN SERVICE DESPATCH

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SUBJECT: WEEKA No. 11 - ECONOMIC SECTION

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Summary

Offering further assurance of its strong support for President ARBENZ' economic development plans Congress this week enacted legislation authorizing a 10-year $20,000,000 bond issue to finance the Executive's four-year public works program. Immediately afterwards the Government announced that it had begun preliminary construction work on a 30,000 kw. $6,000,000 hydroelectric plant and had completed studies for a new port on the Atlantic coast. Moving ahead on plans to give financial aid to beneficiaries of the Agrarian Reform Law the National Mortgage Bank granted the first loans pending establishment of a National Agrarian Bank.

Economic Development

Promptly complying with President Arbenz' request in his March 1 message (WEEKA No. 10), Congress this week approved with only minor changes the bill authorizing a $20,000,000 bond issue to finance the Executive's four-year public works program. The bonds are to be amortized over a 10-year period and will bear five percent annual interest unless held by a Government institution, in which case they will pay only two and one-half percent interest. They may be sold to individuals, corporations, or foreign or domestic banks but since there is no private market, domestic or foreign, for Guatemalan Government bonds it is probable that the Bank of Guatemala will purchase and hold the entire issue. Commenting on the new law the semi-official Nuestro Diario said that there was now "general agreement on financing economic development without recourse to foreign loans".

RECEIVED MAY 11 1953 DEPARTMENT OF STATE

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EHMiller/dm/dkp (3/11/53) REPORTER

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The Executive meanwhile seemed anxious to move ahead on the public works to be constructed with the proceeds of the bond issue. The official press announced that access roads to the site of the proposed 30,000 kw. hydroelectric plant near Guatemala City were already under construction and that the plant would cost $6,000,000 and be completed within four years. The plant would reportedly generate as much power as the large Lempa River project in neighboring El Salvador but would cost 60 percent less because it would use the force of water falling sharply from a high altitude rather than a large volume of water collected by an expensive dam. The announcement claimed that the Westinghouse Corporation said the plan was "technically and economically sound and could not be surpassed by any other type of plant".

Sr. Constantino BERNASCONI, Director General of Public Works, also stated that the plans for the port of Santo Tomás were completed and that the port would be in operation within 18 months. It is designed to free Guatemala from dependence on the dock facilities at Puerto Barrios which are owned and operated by the International Railways of Central America (IRCA). No details have been made public on the other proposed project, a 1,000-kilometer paved highway network to unite all the departmental capitals, ports and frontiers, but work was reported to have been speeded up on the Quezaltenango-Retalhuleu-Champerico highway which would partially parallel facilities already provided by the IRCA.

Agrarian Reform

Although there were no indications that Congress had taken any action on the Executive's bill for a National Agrarian Bank (BAN) (WEEKA No. 8), the Government announced that the National Mortgage Bank (CEN) had granted the first $13,000 in long-term loans to beneficiaries of the Agrarian Reform Law and would continue to provide necessary credit until the Agrarian Bank was established. The loans were reportedly based on the estimated production of the grantees and would be repaid in installments amounting to three percent of each annual harvest. However, there is no evidence of plans for complementing the loans with adequate technical direction, advice and assistance.

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The Production Development Institute (INFOP) made many small loans of this type during the first two years after its founding in 1949 and has lost over $150,000 because the money was squandered by the largely illiterate farmers.

William L. Krieg
Chargé d'Affaires a.i.

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